

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-11 ISO-00 XMB-02 CAB-02 CIAE-00
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FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 3279
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AMEMBASSY ROME

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PASS EXIM BANK

E. O. 11652: N/A
TAGS: EAIR IS
SUBJ: LOCKHEED AIRCRAFT PRESENTATION TO EL AL

REFS: (A) TEL AVIV 5269, (B) TEL AVIV 6139

1. SUMMARY: LOCKHEED FEELS IT HAS GOOD CHANCE OF MAKING
SALE TO EL AL BUT FINANCING TERMS MAY BE CRUCIAL. END SUMMARY

2. ON MAY 19 LOCKHEED REPS ROBERT WELLS (REF A) AND ULRICH
BARDELEBEN (MANAGER, COMMERCIAL PROPOSALS) BRIEFED EMBOFF
ON THEIR PRESENTATION TO EL AL.

3. IN GENERAL, LOCKHEED PLEASED WITH RECEPTIVITY GIVEN
THEIR PROPOSAL BY EL AL. THEY STATED THAT EL AL OFFICIALS TOLD
THEM THEIR PROPOSAL WAS "IN THE BALLPARK" COMPARED TO
AIRBUS OFFER. PACKAGE IS FOR PURCHASE OF TWO AIRCRAFT
WITH OPTION FOR TWO ADDITIONAL AIRCRAFT. EL AL, HOWEVER,
WILL ALSO START TO RETIRE THEIR BOEING 707'S DURING FIRST
HALF OF 1980'S. LOCKHEED, THEREFORE, ANXIOUS TO MAKE SALE
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TO POSITION ITSELF TO COMPETE FOR THIS SECOND GROUP OF LONGER-
RANGE AIRCRAFT.

4. ONE FACTOR FAVORING LOCKHEED IS THAT EL AL WANTS TO
HAVE OPERATIONAL FLEXIBILITY REPRESENTED BY L-1011'S ABILITY
TO FLY TEL AVIV-LONDON AND LONDON-NEW YORK. THIS IS SOME-
THING THAT AIRBUS CANNOT DO.

5. LOCKHEED REPRESENTATIVES AGAIN REPEATED THAT EL AL ASKED THEIR SUPPORT FOR ADDITIONAL LANDING RIGHTS IN THE U.S. EMBOFF EMPHASIZED THAT THIS WAS MATTER FOR GOVERNMENT NEGOTIATIONS.

6. EL AL HAS BEEN TOUGH BARGAINER IN THESE NEGOTIATIONS. NO PRICE WAS MENTIONED BY LOCKHEED REPS, BUT BRITISH EMBASSY SOURCE REPORTED THAT ORIGINAL ASKING PRICE WAS (85 MILLION AND THAT EL AL REDUCED IT TO \$65 MILLION.

7. MESSRS WILLS AND BARDELEBEN DID REPORT, HOWEVER, THAT EL AL WAS ASKING FOR 14 YEAR FINANCING. THEY INDICATED THAT FINANCING MIGHT MAKE DIFFERENCE IN FINAL EL AL DECISION AND ASKED IF EXIMBANK COULD OFFER THIS TYPE OF FINANCING. EMBOFF REPLIED THAT AN IMPORTANT FACTOR IN EXIM'S DECISION WOULD PROBABLY BE TERMS OFFERED BY AIRBUS. EXIM WAS ANXIOUS TO SUPPORT SALE OF U.S. AIRCRAFT BUT EACH LOAN PACKAGE WAS DECIDED ON ITS INDIVIDUAL MERITS, INCLUDING, INTER ALIA, WHAT THE COMPETITION OFFERS. LOCKHEED REPS DID NOT PROVIDE ANY SPECIFICS OF AIRBUS OFFER.

8. EL AL CHAIRMAN OF THE BOARD, BEN-ARI NOW OUT OF THE COUNTRY. HE WILL RETURN IN APPROX TWO WEEKS. BY THEN, EL AL EVALUATION TEAM WILL HAVE ANALYZED ALL OFFERS. AFTER RETURN OF BEN-ARI, ANOTHER TWO WEEKS WILL BE NEEDED FOR LIMITED OFFICIAL USE

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EL AL TO MAKE FINAL DECISION.

9. EMBOFF EMPHASIZED TO LOCKHEED THAT EMBASSY ANXIOUS TO SUPPORT SALE OF U.S. AIRCRAFT TO EL AL. RCAA DWOR WILL BE IN ISRAEL WEEK OF MAY 22 AND DURING HIS VISIT WITH EL AL OFFICIALS WE WILL TAKE EVERY AVAILABLE CHANCE TO PUSH SALE OF U.S. AIRCRAFT.

10. COMMENT: ALTHOUGH NOT SPECIFICALLY STATED, LOCKHEED REPS GAVE IMPRESSION THAT THEY ARE NOW LEADING AIRBUS AS FAR AS TECHNICAL SIDE OF COMPETITION CONCERNED. FINANCING STILL REMAINS A QUESTION. EL AL IS TRYING TO MAKE BEST AVAILABLE PACKAGE FOR ITSELF AND CAN BE EXPECTED TO SQUEEZE AS MUCH AS IT CAN FROM INTENSE COMPETITION BETWEEN AIRBUS AND LOCKHEED. STILL, COMPARED TO A FEW WEEKS AGO, WHEN ALL SEEMED LOST, WE ARE NOW BACK IN THE PICTURE WITH FAIR CHANCE OF SUCCESS. WE NOTE THAT STAGE III VERSION OF A-300B4 (SUPER B4) WILL APPARENTLY DO TEL AVIV-LONDON WITH FULL LOAD PASSENGERS AND BAGGAGE. LEWIS

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